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MoneyPlu$

Policy Statement

MoneyPlu$ is offered to all active, full-time state agency, school district and participating entity employees. This program, administered by Hunt, DuPree, Rhine and Associates (SHDR), was designed in compliance with sections 125 and 129 of the Internal Revenue Code (IRC).

Each entity must offer the MoneyPlu$ program to its employees. Each employee must decide whether to participate in the nontaxable benefits offered by the program. Employees can save money by paying group premiums, dependent care and medical expenses with pretax dollars.

To remain tax free under IRC Sections 125 and 129, the MoneyPlu$ plan must pass several nondiscrimination tests. One of these tests, the 55 percent Average Benefits Test, requires that all eligible employees' gross compensation be collected. This test is vital in determining the South Carolina MoneyPlu$ plan's compliance with Internal Revenue Service (IRS) nondiscrimination rules. The test is performed periodically throughout the year to ensure the plan's compliance with the IRS guidelines.

Eligibility

Each entity participating in the state group benefits programs may offer the MoneyPlu$ program to all active, full-time employees and eligible part-time teacher employees. Each employee has the absolute right to elect nontaxable benefits.

Each participating entity may handle a new hire's eligibility date for the Pretax Group Insurance Premium Feature and Dependent Care Account feature of MoneyPlu$ the way they handle eligibility for state group health/dental plans. New employees have 31 days from their date of hire to elect MoneyPlu$ benefits.

An employee must complete one year of continuous service with a participating entity by the January 1 following the annual enrollment period to enroll in the Medical Spending Account. The employee must enroll during the annual enrollment period. MoneyPlu$ will take effect the following January 1.

An employee must be eligible to participate in but does not have to enroll in a health plan to participate in MoneyPlu$. An employee does not have to participate in the Pretax Group Insurance Premium feature to participate in the Dependent Care or Medical Spending accounts.

By federal law, employee elections cannot be retroactive to a prior payroll period. The date of the elections must be before the beginning of the next full payroll period to which the election applies. The employee must make the election before the paycheck is earned, not before it is received.

If both spouses are eligible employees, each may participate in the MoneyPlu$ program. Either spouse may claim a family medical or dependent-care expense with the appropriate spending account. The same expense may not be claimed by both. If one spouse is not a covered employee but belongs to a Section 125 program with another employer, either spouse may claim an expense, but not both.

Premiums an employee pays to cover dependents and expenses for dependents are eligible for the plan. For purposes of group medical and dental coverage for dependents, employees can pay the premiums pretax if the dependent is allowed by the rules of the insurance plan. For purposes of the Medical Spending Account, only expenses of a dependent for whom the employee plans to take a tax deduction are eligible for reimbursement.

Plan Features

MoneyPlu$ has three features:

- Pretax Group Insurance Premium Feature
- Dependent Care Spending Account
- Medical Spending Account

Enrollment and Eligibility with the Pretax Premium Feature

Pretax Group Insurance Premium Feature

- Group insurance premiums can be paid with pretax or non-taxed dollars. Without MoneyPlu$, employees pay taxes on their salary or wages before their group insurance premiums are deducted. With MoneyPlu$, premiums are deducted first and taxes are paid only on the remaining salary. This results in lower federal, state and Social Security (FICA) taxes.
- Only the employee's share of the premium for coverage is taken into account. The employer's portion of the premium for any coverage level is not considered. Employees automatically will be enrolled in this feature of MoneyPlu$ if they elect health, dental or optional life coverage (premiums for coverage up to $50,000) that has an employee premium. Any employee not wishing to gain the tax savings from participation in this feature must complete a refusal form (Page 179).
- Only the employee's share of the premium for coverage is taken into account. The employer's portion of the premium for any coverage level is not considered. Employees automatically will be enrolled in this feature of MoneyPlu$ if they elect health, dental, or optional life.
- Changes to coverage during the year are restricted. Those allowed due to family status changes are discussed later. Premiums are paid automatically from the dollar amount allocated.
- No other plans or features are eligible for pretax payment through the state's qualified IRC Section 125 plan unless sanctioned by EIP.

Your office does not need to furnish SHDR with monthly enrollment data for your employees participating in Optional Life. For each month of the year, EIP will send SHDR a file of all employees in the Optional Life program. This data will include name, social security number, effective date, level of coverage, age group, status and date of birth. SHDR will use the current OL rate table to determine the monthly premium.

Your office will need to report to SHDR on all features of the MoneyPlu$ program. This includes identification of employees participating in spending accounts and detailed information of amounts deducted for administrative fees, spending accounts and pre-tax health, dental and life insurance premiums. **Comptroller General agencies do not have to send reports on administrative fees to SHDR.**

The most accurate method of handling this payroll feature is to deduct the taxable and non-taxable amounts each pay period. This choice allows you to collect FICA correctly all year. The employer using this method will only need to use the year-end data from SHDR for comparison to their year-to-date records.

SHDR should have the information on the taxable portion of the annual Optional Life premiums to you (and the CG for CG agencies) no later than the first week of December.

Your group may determine and account for the taxable portion of the OL premiums for employees throughout the year on all payrolls. This is acceptable and the employer using this method will only need to use the year-end data from SHDR for comparison to their year-to-date records.

Suitability

The group premium feature is suitable for most active employees paying for coverage. Employees who qualify for the Federal Earned Income Credit also may qualify for the Supplemental Health Insurance Credit. Employees paying their qualified dependent health premiums with pretax dollars (through MoneyPlu$) will not be eligible for this additional credit. These employees should consult with their tax advisor/preparer before participating in this feature of MoneyPlu$.

Dependent Care Spending Account

(Maximum allowed is $5,000 per year)

- The Dependent Care Spending Account is available to employees with dependent-care expenses for a child under age 13 or an older person unable to be left alone while the employee (and spouse, if married) works. Care may be in a day-care center, in someone else's home or in the employee's home. Care that qualifies for the Federal Dependent Care Credit qualifies for the Dependent Care Spending Account. IRS Publication 503 provides more information.
- Some employees with dependent-care expenses may be taking advantage of federal and state tax credits. The MoneyPlu$ program offers eligible employees a tax deduction for these expenses. Obviously, an employee cannot use both the tax credits and the MoneyPlu$ program for the same expense. Completing a Dependent Care work sheet (Page 99-100) will help an employee determine which is better.
- To enroll in the Dependent Care Spending Account feature of the MoneyPlu$ program and correctly determine the appropriate amount of the payroll deduction, the employee should estimate dependent care expenses from January 1 through December 31 (or the portion remaining in the year if the election is made other than at annual enrollment). Exclude all vacation or holiday time from the calculation.

Example: An employee expects to pay $200 per month for child day care, $2,400 for the year. This employee should sign up for $2,400. If this employee is paid monthly, $200 would be deducted per payroll. If the employee is paid 10 times per year, $240 would be deducted per payroll. Then, after incurring a dependent-care expense, the employee should file a claim form along with a valid receipt for services rendered to be reimbursed from this account balance.

Suitability

The Dependent Care Spending Account may be suitable for active employees with dependent-care expenses. Employees must keep two major rules in mind: 1) Amounts chosen can be changed during the plan year only in the event of a qualifying family status change; and, 2) Amounts allocated to this account must be claimed for expenses incurred within the plan year. Reimbursement can be made only when the day-care provider's SSN or Federal Tax ID number is submitted with the claim. Employees considering this benefit should contact their tax advisor to determine whether MoneyPlu$ or the tax credit is better for them.

Medical Spending Account

(Maximum allowed is $3,000 per year)

The Medical Spending Account is used to save taxes on medical expenses insurance does not cover. Examples of these expenses are deductibles, coinsurance, copayments, annual physicals, expenses over the annual dental limit or the lifetime orthodontic limit, eye examinations, eyeglasses, etc. Qualifying expenses are those for the employee, spouse and all dependent members of the employee's family as claimed under IRS guidelines (not necessarily covered under the health and dental plans).

- Active, full-time employees may set aside money, on a pretax basis, each payroll into a Medical Spending Account. When they incur an expense not paid in full by insurance, they can file a claim form and receipt with the MoneyPlu$ administrator. They will be reimbursed from their account for expenses incurred up to the unused portion of their annual benefit limit. Only expenses that exceed 7 ½ percent of adjusted gross income are deductible by the employee on his income tax return. With MoneyPlu$, the employee can save taxes on every dollar.

- To enroll in the Medical Spending Account feature of MoneyPlu$, employees should calculate known and anticipated non-reimbursed expenses they will incur during the plan year, or the portion remaining in the plan year if the election is made other than at annual enrollment.

Example: Next year, an employee expects to incur $300 for eyeglasses, $800 for orthodontia in excess of the $1,000 lifetime maximum, and $100 for coinsurance on prescriptions (in addition to their annual deductible). This would be a total annual election of $1,200 during the next plan year. Since the employee is paid bimonthly, divide the $1,200 by 24 payrolls. This equals $50 per pay period to set aside into the Medical Spending Account. As the employee incurs these expenses, he files a claim form and a valid receipt or statement of expense with the MoneyPlu$ administrator to obtain a reimbursement check.

Suitability

Any employee who uses his health and/or dental insurance will pay deductibles and coinsurance. The Medical Spending Account enables employees to pay these expenses, and other non-covered expenses, with non-taxed dollars.

Dependent Care Spending Account and Medical Spending Account Rules

- Once an amount is chosen for a spending account, it must remain constant for the plan year unless there is a qualifying family status change. A family status change is, for example, a birth, adoption or placement; marriage, legal separation or divorce; a change in the employee's or employee's dependent employment status (starts or stops work, decrease in hours worked); or death. The election change must be consistent with the family status change. For example, when a baby is born, the employee might add money to the Medical Spending Account to cover deductibles, coinsurance, etc. The employee also might begin a Dependent Care Spending Account. As another example, a pregnant employee may take a leave of absence as her delivery date nears. This is a change of employment status if she is not receiving any form of compensation. This employee could change either or both of her spending accounts within 31 days of the leave of absence and again within 31 days of returning to compensated status.
- Amounts set aside (payroll-deducted) under either account must be claimed for expenses incurred within the plan year. During annual enrollment, the employee chooses the amounts for the spending accounts for the next plan year (calendar year). These amounts must be incurred during that plan year. For example, an employee has an annual physical every December and sets aside the proper amount of money in a Medical Spending Account. The employee receives his physician's bill in January. The employee claims the annual physical as a December expense by submitting a claim form and the physician's statement of expense. The employee has until March 31 of the following year to file a claim for reimbursement.
- Quarterly statements of spending account activity are provided to employees. By IRS regulations, amounts not claimed within 90 days after the year's end cannot be returned to the employee or carried forward to a new plan year. This is sometimes called the "use-it-or-lose-it" rule. The maximum annual contribution to these spending accounts is $5,000 for the Dependent Care Account and $3,000 for the Medical Spending Account. An employee can have only one Dependent Care Spending Account and one Medical Spending Account. Married employees who both participate can have separate Dependent Care Accounts, but the maximum dollar limits are per family unit ($5,000). Married employees who file separate tax returns are allowed only one-half of the maximum ($2,500 each). This applies also to an employee whose spouse is participating in another similar plan. Married spouses who both participate can have separate Medical Spending Accounts, each with the $3,000 annual limit.

Examples of Eligible Medical Spending Account Expenses

Acupuncture	Birth control pills
Braille books and magazines	Car controls for the handicapped
Coinsurance	Contact lenses and supplies
Copayments	Crutches
Deductibles	Dental fees
Dental implants	Duplicate prosthetic devices
Drug addiction treatment	Experimental medical treatment
Eye exams	Eyeglasses
Guide dogs	Hearing aids and exams
Injections	Learning disability tuition
Mileage to/from Alcoholics Anonymous (AA) meetings	Nursing services
Optometrist fees	Orthodontic treatment
Orthopedic shoes	Oxygen
Periodontal fees	Psychoanalysis (by an approved provider)
Radial keratotomy	Special schools for the handicapped
Surgery	Special dietary needs by doctor's prescription
Telephone for the deaf	Travel to/from medical care @ $0.10 per mile
Vitamins prescribed by a doctor	Wheel chairs
X-rays	

Examples of Ineligible Medical Spending Account Expenses:

- Aspirin/nonprescription drugs;
- Cosmetic surgery (elective);
- Diet program fees and food;
- Expenses paid by employee's insurance;
- Insurance premiums not paid through payroll deduction; and,
- Nursing home fees for custodial care (medical expenses for a dependent are eligible).

Limitations on Tax-free Reimbursement of Dependent Day-care Expenses

Eligible Expenses	Ineligible Expenses
Licensed day-care center	Unlicensed day-care center
Preschool	Full-time maid
After school	Full-time nursing home
Incidental meals	Payments to a dependent
Incidental housework	Cost not required to enable an employee or spouse to work
Adult day care	Reimbursement for services provided by a day-care provider who will not furnish a SSN or a federal tax ID number (FEIN)

Eligible Dependents

- Children under age 13, natural or adoptive (available to custodial parent even if dependency exemption was released due to divorce or separation); and,
- Mentally or physically impaired dependent of any age.

Ineligible Dependents

- All other people; and,
- Anyone not spending at least eight hours per day in the employee's home.

Maximum Benefits

- $5,000 per year if the participant is single or is married and files a joint return;
- $2,500 if the participant is married and files a separate tax return;
- If either the participant or the participant's spouse earns less than $5,000 a year, the participant is limited to the lower of the two incomes; and,
- If the participant's spouse is a full-time student or incapable of self-care, the benefit is limited to $2,400 for one dependent and $4,800 for two or more dependents.

Expenses Eligible for Tax Credits

Both the MoneyPlu$ deduction and the tax credit cannot be taken on the same expense. Some expenses can be submitted for MoneyPlu$, while additional expenses are eligible for tax credits.

Dependent Day Care Tax Credit Alternative

An employee's tax savings under each option depends on his:

- income;
- number of dependents; and,
- amount of expense.

The percentage credit is multiplied by an employee's actual expenses, but only up to $2,400 for one dependent or $4,800 for two or more dependents.

- The percentage amount varies with an employee's income. The credit is 30 percent for an income of $10,000. The credit drops one percent for each $2,000 increase in income. The credit is 20 percent for income above $28,000.
- Use the guidelines, examples and work sheets on Pages 99-100 to estimate the benefits of participation in the dependent-care feature of MoneyPlu$. The examples and work sheets use the 1999 tax rates and calculation methods. Urge participants to contact their tax preparer for advice on actual tax savings.
- The dependent-care tax credit available when filing a South Carolina income tax return is equal to seven percent of eligible expenses regardless of income. An employee gives up that credit by electing the MoneyPlu$ feature for those expenses. Only federal tax savings are illustrated on the work sheet. The guidelines illustrate both federal and state tax savings.

MoneyPlu$ Enrollment

Employees who newly elect or change their health or dental coverage (when allowed) must complete an NOE. The employee premium for the group coverage will automatically be a part of the group premium feature of MoneyPlu$. If an employee does not want the tax savings of MoneyPlu$, he must complete a refusal statement form and return it to his benefits office. It is usually unnecessary for an employee to complete the MoneyPlu$ enrollment form unless he wants to elect either or both of the spending accounts: the Dependent Care Spending Account or the Medical Spending Account. Some payroll offices still require a signed authorization.

For entities with payrolls processed through the Comptroller General's office, complete a P-4 payroll change form and return it to the benefits office for all changes to existing deductions or the addition of new deductions. The MoneyPlu$ enrollment form must be completed also for employees who elect the spending accounts.

Completing the Enrollment Forms

- The employee selects the health insurance coverage that most nearly represents the employee's family situation and reviews the types of expenses that can be paid through MoneyPlu$. Eligible insurance premiums paid through payroll deduction automatically are paid through MoneyPlu$ unless the entity's payroll department first requires a signed authorization.

- The employee determines the annual amounts to be directed to his Dependent Care and Medical Spending accounts, and indicates these amounts in the spaces provided on the MoneyPlu$ Enrollment form. Use the Flexible Benefits Advisor software to assist the employee in determining these amounts. The employee's name, SSN, signature and date signed must be included on the enrollment form. Complete for the employee the bottom portion of the three-part enrollment form, including the entity name, phone number, your name and your signature. Retain the white copy; give the pink copy to the employee; and submit the yellow copy to SHDR.

- Each local payroll center is responsible for determining the frequency of deductions for its employees. Deductions for MoneyPlu$ benefits may be made each payroll cycle rather than once per month. Spread the total annual election equally over the chosen number of deductions. For example, nine month-paid employees would have both administrative fees and benefit contributions spread over the number of paychecks received during that period. No fee or benefit contribution can be collected except by payroll deduction. **Some payroll centers cannot handle before- and after-tax deduction changes during the year. All changes must be made during the annual enrollment period.**

- Employees expecting to retire during the plan year should make sure the payroll department arranges monthly deductions based on the number of months remaining until their retirement date.

Refusal to Participate in the Pretax Group Insurance Premium Feature

(Form, Page 179)

- Employees who do not want to pay health, dental, and Optional Life premiums through MoneyPlu$ must complete and return a refusal form to his benefits administrator. The completed and signed refusal is effective until the beginning of the next plan year. Employees who refuse the Pretax Group Insurance Premium Feature may still participate in the Dependent Care Spending Account or the Medical Spending Account.

- An employee with no group premiums eligible for pretax payment does not need to sign anything unless he elects dependent-care or medical spending account benefits. An employee must be eligible to participate in but does not have to enroll in a health plan to participate in MoneyPlu$. If a qualified special eligibility situation occurs later in the plan year, he may elect any of these benefits. Employees who refuse health and/or dental coverage or who have no health and dental premiums may participate in the spending accounts.

Qualifying Family Status Changes

- Birth or adoption of a child by an employee or spouse;
- Marriage, legal separation or divorce of an employee;
- Death of an employee, spouse or dependent;
- Termination of employment, unpaid leave of absence and unpaid maternity leave of an employee or spouse;
- Change of employment status for dependents; and,
- Dependency status changes.

Family Status Change Rules

- Changes include: a new election to participate; an election to cease participation; an election to increase the payroll deduction allocation; and, an election to decrease the payroll reduction allocation;
- These elections must be consistent with a qualifying family status change;
- Terminations of employment include changes from one state-covered entity to another;
- The terminated employee can continue to submit claims against his Dependent Care Spending Account until the end of the year or until the account(s) is exhausted;
- Claims against the Medical Spending Account can be submitted only for expenses incurred through the date of termination, unless participation is continued after-tax through COBRA. Terminations for employees participating in the Medical Spending Account must be reported to SHDR immediately;
- The requested date of a change must be no later than 31 days after a qualifying family status change; and,
- Expenses eligible for reimbursement must be consistent with the new election and incurred after the effective date of the election.

Examples: (1) An employee goes on maternity leave of absence without pay prior to the birth of the baby (employment change); (2) Birth of a baby (dependent change); and, (3) An employee returns to work (employment change).

All of these situations are qualifying family status changes that can stop, start, reduce or increase a MoneyPlu$ election. The change must be requested within 31 days after the event and is effective at the next earliest payroll cycle.

Effect on Retirement Plans

State Retirement Plan
There is no effect whether or not the employee participates.

Deferred Compensation
The determination of compensation is reduced by the total MoneyPlu$ elections for purposes of testing the maximum 33 percent of pay limit on contributions.

Tax Deferred Annuity Plans for School Employees
The determination of compensation is reduced by the total MoneyPlu$ elections for purposes of testing the maximum 25 percent of pay limit on contributions.

Social Security
- If an employee makes less than the Social Security wage base ($62,700 in 1996) and participates in either the group premium, Dependent Care Spending Account or Medical Spending Account, there may be a slight effect on Social Security benefits. Social Security benefits are based upon career-average wages up to 35 years.

- The savings an employee achieves should outweigh any slight effect on Social Security benefits. For example, consider an employee 40 years old, making $24,000 a year, and participating in MoneyPlu$ at a level of $100 per month. Based on current law, at age 65 this employee will have $8 per month less Social Security at retirement; but, by contributing his savings to a deferred compensation plan, he will have accumulated approximately $30,782 (at a conservative 7 percent earnings rate), which could provide a monthly lifetime income of about $296. The employee nets an increase in monthly lifetime income of $288 by investing his MoneyPlu$ tax savings in deferred compensation.

- If employees want to maximize retirement, they simply can put their MoneyPlu$ tax savings into the state deferred compensation plan. The result will be a large increase in monthly retirement income.

Effect on Social Security
Benefits of Reducing Social Security Taxes

Current Age	Retirement Age	Estimated Monthly Income from Retirement Savings	Estimated Monthly Reduction in Social Security	Net Estimated Monthly Effect on Retirement Income
25	65	$1,066	$26	$1,040
35	65	$ 495	$19	$ 476
45	65	$ 212	$11	$ 201
55	65	$ 70	$ 3	$ 67
60	65	$ 29	$ 0	$ 29

<u>Savings Illustrated Above are Based on the Following Data:</u>
- Assumptions
- $100 per month in MoneyPlu$ elections
- Contribution of $38 per month to deferred compensation plan
- Constant income of $18,000 annually to retirement
- Level Social Security benefits at retirement
- Social Security coverage of at least 35 years
- Investment earnings of seven percent annually on $38 per month investment to retirement

<u>Forms to Have in Stock</u>
(Forms may be found in this manual, the EIP website or ordered from EIP Supply):
- MoneyPlu$ enrollment forms are distributed to benefits administrators each fall for distribution to eligible employees who wish to enroll;
- MoneyPlu$ brochures provide more specific information on the Dependent Care and Medical Spending accounts and are forwarded to benefits administrators each fall. Please limit distribution to employees expressing an interest in these accounts;
- MoneyPlu$ claim forms are distributed to benefits administrators for employees who choose one or both of the spending accounts;

- MoneyPlu$ Change form (included in this manual);
- MoneyPlu$ Pretax Group Insurance Premium Feature;
- MoneyPlu$ Spending Accounts;
- MoneyPlu$ Refusal to Participate Statements: make photocopies of the form included in this manual as needed. Do not send a copy to SHDR; and,
- MoneyPlu$ termination postcards are distributed to benefits administrators and new participating entities as requested. Submit these postcards to SHDR upon the termination/retirement of any employee participating in the Medical Spending Account.

Guidelines for Using the Dependent Care Account[1]

Married - One Qualifying Child

Annual Compensation	Federal and State Tax Credits	MoneyPlu$	Savings
$23,000	$720	$ 944	$224
$24,000	$720	$ 812	$ 94
$25,000	$696	$ 712	$ 16
$26,000 - $28,000	$672	$ 712	$ 40
$29,000 - $47,000	$648	$ 712	$ 64
$48,000	$648	$ 737	$ 89
$49,000	$648	$ 867	$219
$50,000 - $55,000	$648	$1,024	$376
$56,000	$648	$ 993	$345
$57,000	$648	$ 931	$283
$58,000 – 60,000	$648	$ 875	$227

Savings illustrated above are based on the following data:

- Filing status: married
- Exemptions: 3
- Qualifying children: 1
- Annual dependent-care expenses: $2,400

Guidelines for Using the Dependent Care Account1

Married - 2 Qualifying Children

Annual Compensation	Federal and State Tax Credits	MoneyPlu$	Savings
$23,000	$1,440	$1,423	$ -17
$24,000	$1,440	$1,423	$ -17
$25,000	$1,392	$1,423	$ 31
$26,000	$1,344	$1,423	$ 79
$27,000	$1,344	$1,423	$ 79
$28,000	$1,392	$1,423	$ 79
$29,000 - $50,000	$1,296	$1,423	$127
$51,000	$1,296	$1,533	$237
$52,000	$1,296	$1,663	$367
$53,000	$1,296	$1,794	$498
$54,000	$1,296	$1,923	$627
$55,000 - $56,000	$1,296	$2,047	$751
$57,000	$1,296	$2,010	$714
$58,000	$1,296	$2,022	$726
$59,000	$1,296	$1,960	$664
$60,000	$1,296	$1,898	$602

Savings illustrated above are based on the following data:

- Filing status: married
- Exemptions: 4
- Qualifying children: 2
- Annual dependent-care expenses: $4,800

[1]The savings illustrated above are guidelines only. As each employee's tax circumstances differ, so may the savings. Employees with a total annual family income less than $23,000 should seek tax advice or use the Flexible Benefits Advisor software to determine whether MoneyPlu$ or the tax credit is better.

Single Filing Head of Household

MoneyPlu$ Dependent Care (Example & Work Sheet for Estimated Tax Savings)

1. Federal Tax Credit Option	Example	Your Own Estimate
Adjusted gross combined income (AGI)	$25,000	______
Qualified dependent care expenses	2,400	______
Tax credit @ 20%[1]	528	______

2. MoneyPlu$ Option		
Adjusted gross combined income (AGI) **before MoneyPlu$** deduction	$25,000	______
Minus 3 exemptions @ $2,700 each	8,100	______
Minus standard deduction (itemized deductions)	6,250	______
Taxable income	10,650	______
Net income taxes[2]	1,598	______
Plus FICA taxes @ 7.65% of AGI[3]	1,913	______
Total federal taxes	3,511	______
Adjusted gross combined income **after MoneyPlu$** deduction	$22,600	______
Minus 3 exemptions @ $2,700 each	8,100	______
Minus standard deduction (itemized deductions)	6,250	______
Taxable income	8,250	______
Net income taxes[2]	1,238	______
Plus FICA taxes @ 7.65% of AGI[3]	1,729	______
Total federal taxes	2,967	
Savings from Section 125	**544**	
Federal tax credit	528	
Net Savings	**16**	

Savings reflect federal taxes only.

Up to $2,400 of expenses ($4,800 for two or more people) can qualify for: (1) the Federal Tax Credit or (2) $5,000 of expenses for tax savings of MoneyPlu$. If your MoneyPlu$ benefits are less than your total expenses, you may be eligible for a tax credit on the difference, but only up to total expenses for one child of $2,400, or $4,800 for two or more children.

[1]Federal tax credit table (multiply day-care expenses by percentage corresponding to income range)

$ 0 – 10,000	30%
10,001 – 12,000	29%
12,001 – 14,000	28%
14,001 – 16,000	27%
16,001 – 18,000	26%
18,001 – 20,000	25%

$20,001 – 22,000	24%
22,001 – 24,000	23%
24,001 – 26,000	22%
26,001 – 28,000	21%
28,000 and higher	20%

[2]Federal tax rate schedule before any inflation adjustments for 1998 (apply to taxable income above)
Married filing jointly: standard deduction is $7,100 before inflation adjustments
Head of household: standard deduction is $6,250

Taxable Income (TI)	Tax Payable
$ 0 – $36,000	15% of TI
$36,000 – $89,150	$ 4,440 plus 28% of TI
$89,150 and higher	$17,544 plus 31% of TI

Taxable Income (TI)	Tax Payable
$ 0 - $29,600	15% of TI
$ 29,600 - $76,400	$ 4,440 plus 28% of TI
$ 76,400 and higher	$17,544 plus 31% of TI

[3]Use actual W-2 earnings if substantially different from AGI.

Married Filing Jointly

MoneyPlu$ Dependent Care (*Example & Work Sheet for Estimated Tax Savings)*

1. Federal Tax Credit Option	**Example**	**Your Own Estimate**
Adjusted gross combined income (AGI)	$55,000	
Qualified dependent care expenses	2,400	
Tax credit @ 20%[1]	480	

2. MoneyPlu$ Option		
Adjusted gross combined income (AGI) **before MoneyPlu$** deduction	$55,000	
Minus 3 exemptions @ $2,700 each	8,100	
Minus standard deduction (itemized deductions)	7,100	
Taxable income	39,800	
Net income taxes[2]	6,368	
Plus FICA taxes @ 7.65% of AGI[3]	4,208	
Total federal taxes	10,576	
Adjusted gross combined income **after MoneyPlu$** deduction	$52,600	
Minus 3 exemptions @ $2,700 each	8,100	
Minus standard deduction (itemized deductions)	7,100	
Taxable income	37,400	
Net income taxes[2]	5,984	
Plus FICA taxes @ 7.65% of AGI[3]	4,024	
Total federal taxes	10,008	
Savings from Section 125	**568**	
Federal tax credit	480	
Net Savings	**88**	

Savings reflect federal taxes only.

Up to $2,400 of expenses ($4,800 for two or more people) can qualify for: (1) the Federal Tax Credit or (2) $5,000 of expenses for tax savings of MoneyPlu$. If MoneyPlu$ benefits are less than total expenses, subscribers may be eligible for a tax credit on the difference, but only up to total expenses for one child of $2,400, or $4,800 for two or more children.

[1]Federal tax credit table (multiply day-care expenses by percentage corresponding to income range)

$ 0 – 10,000	30%
10,001 – 12,000	29%
12,001 – 14,000	28%
14,001 – 16,000	27%
16,001 – 18,000	26%
18,001 – 20,000	25%

$20,001 – 22,000	24%
22,001 – 24,000	23%
24,001 – 26,000	22%
26,001 – 28,000	21%
28,000 and higher	20%

[2]Federal tax rate schedule before any inflation adjustments (apply to taxable income above)

Married filing jointly: standard deduction is $7,100 before inflation adjustments

Head of household: standard deduction is $6,250

Taxable Income (TI)	Tax Payable
$ 0 – $36,000	15% of TI
$36,000 – $89,150	$ 4,440 plus 28% of TI
$89,150 and higher	$17,544 plus 31% of TI

Taxable Income (TI)	Tax Payable
$ 0 - $29,600	15% of TI
$29,600 - $76,400	$ 4,440 plus 28% of TI
$ 76,400 and higher	$17,544 plus 31% of TI

[3]Use actual W-2 earnings if substantially different from AGI.

Administration

Administrative fees must be charged for each enrollee in each of the following features:

- Pretax Group Insurance Premium Feature;
- Dependent Care Account; and,
- Medical Spending Account.
- Employees enrolled in MoneyPlu$ can make late entrant adjustments only if their payroll center can accommodate before- and after-tax adjustments. Some payroll centers are not equipped to handle mid-year late entrants; therefore, late entrants can be added only during an enrollment period (with a January 1 effective date).
- Refunds of the pretax premiums are subject to the family status change rules.
- If an employee refuses the group premium feature of the MoneyPlu$ program, the employee must sign a MoneyPlu$ Refusal form (Page 179). Keep the signed form in the employee's personnel file.
- If an employee signs a refusal form for the group premium feature, the employee may still participate in the Medical Spending Account or the Dependent Care Account. Employees who are eligible for but refuse health, dental, or optional life coverage or who have no health, dental, or optional life premium (entity is paying the premium for the employee) may participate in the spending accounts.
- An employee can participate in the Medical Spending Account if he has completed one year of continuous employment with a participating entity by the January 1 following the annual enrollment period.
- Dependent Care Account reimbursement depends on the payroll deduction being deposited in the employee's account.
- Amounts set aside (payroll deducted) for either spending account must be claimed for expenses incurred within the plan year. IRS regulations do not allow amounts unclaimed within 90 days after year-end to be returned to the employee or carried forward to a new plan year. This is sometimes called the "use-it-or-lose-it" rule.

Changes not Completed Within 31 Days

If an employee is on MoneyPlu$ and does not make a change within 31 days of the occurrence, follow the procedures below:

- <u>Death of a dependent</u>: may drop retroactively up to 12 months;
- <u>Divorce</u>: will be dropped the first of the month after the signature date on the NOE to allow payment of liable claims
- <u>Legal separation (with proper documentation)</u>: will be dropped the first of the month after the signature date on the NOE to allow payment of liable claims.
- <u>Failed to drop spouse within 31 days of spouse gaining other group coverage</u>: must wait until the next open enrollment period if not gaining state coverage;
- <u>Employee/spouse both entity employed (each must carry own insurance)</u>: if employee does not drop spouse within 31 days, he may drop retroactively up to 12 months (or current if claims payments are involved); and,
- <u>Student or dependent terminated at age 25 by the system and not eligible for claims payment</u>: may drop retroactively up to 12 months;
- <u>Child gains employment or marries</u>: will be dropped the first of month after the signature date on the NOE;
- Child graduates, but the employee did not sign NOE within 31 days of graduation: will be dropped the first of the month after the signature date on the NOE;